

FOR IMMEDIATE RELEASE
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**THE UNITED STATES AND TAIWAN CONCLUDE COMPREHENSIVE
MARKET ACCESS AGREEMENT**

United States Trade Representative Charlene Barshefsky announced today conclusion of a comprehensive market opening agreement with Taiwan. The agreement, which includes both immediate market access and phased-in commitments, will provide substantially increased access for U.S. goods, services and agriculture exports to Taiwan, our seventh leading export market. These measures are necessary for Taiwan's eventual accession to the World Trade Organization (WTO).

"This comprehensive agreement will dramatically open Taiwan's markets to U.S. agricultural products, services, and industrial goods," Ambassador Barshefsky said. "U.S. farmers will see new markets for pork, chicken and other meat products that have never been open to any foreign imports. U.S. exporters of industrial products will achieve levels of market access comparable to that available in other developed countries. And Taiwan will provide broad access for the full range of services, including financial and telecommunications services."

"Additional multilateral negotiations will be necessary before Taiwan can become a member of the WTO," Ambassador Barshefsky said. According to standard WTO practice, each acceding country/economy conducts bilateral consultations with any requesting WTO member. With the conclusion of this agreement, only two of the 26 participating members, the European Union and Switzerland, require further consultations. Following the completion of all bilateral market access agreements, WTO members will turn to negotiation and preparation of a formal protocol of accession and working party report, which spell out the full range of rules-related commitments, trade remedies and other matters.

"I am particularly pleased that this agreement addresses issues of key concern to America's export industries from autos to major infrastructure projects." U.S. Commerce Secretary William M. Daley said.

"This is a ground-breaking agreement for American agriculture that will open up new export opportunities for a wide range of farm and food products," U.S. Agriculture Secretary Dan Glickman said. "Taiwan, which is already one of our largest export markets, has agreed to provide new access for U.S. poultry and pork and beef variety meats."

Highlights of the Agreement are as follows:

Industrial Tariffs:

Taiwan will reduce its overall tariff rate to below 5 percent with about two-thirds of the tariff reductions made upon accession. The remainder will be reduced by the year 2002, with limited exceptions to 2004. These reductions will result in savings to U.S. exporters of some \$250 million, based on current export levels. These reductions will result in savings to U.S. exporters of some \$250 million, based on current export levels. Taiwan has agreed to support APEC sectoral initiatives on energy, equipment and services, environmental goods and services, forest products, toys, chemicals, medical equipment, fish and fish products, gems and jewelry, and telecommunications mutual recognition agreements.

Taiwan has agreed to join all Uruguay Round zero-for-zero initiatives, by eliminating all tariffs on paper, pharmaceuticals, medical equipment, construction equipment, steel, toys, furniture, agriculture equipment, civil aircraft, and distilled spirits. Taiwan has already participated in the ITA and is an active participant in the ongoing negotiations on ITA II. Thus, Taiwan will join the selective group of WTO members that have agreed to implement all sectoral zero-for-zero initiatives and chemical harmonization: United States, Canada, the EU and Japan.

Automotive Products:

Taiwan agreed to make major changes in its automotive market that will benefit U.S. automakers. These include a sharp reduction of tariffs on imported vehicles; 25-30% decrease in Taiwan's commodity tax as applied to most U.S. vehicle imports; complete elimination of an existing 9% subsidy on automobile components designed in Taiwan; elimination of 50% local content requirement for auto parts, including an immediate reduction to 40%; and regulatory changes that will allow foreign companies to both lease vehicles and operate used car businesses.

Other Industrial Products:

Taiwan will substantially open trade in chemicals, medical equipment, furniture, toys, steel, paper, construction and agricultural equipment, wood, civil aircraft and distilled spirits.

Government Procurement:

Taiwan has agreed to join the WTO Government Procurement Agreement, which will open its procurement markets to a wide range of U.S. products, including power-generating, transport and power transmission services.

Taiwan will implement a new contract and dispute resolution system regarding government contracts that will provide fairness and transparency in procurements. Taiwan also agreed to a sweeping reorganization of the way it handles contract disputes. In addition, the Public Construction Commission will have the power to conduct binding arbitration on disputes involving government procurement contracts.

Services

Taiwan has agreed that on accession it will open completely a number of service sectors, including professional services (architects, accountants, engineers, lawyers), audiovisual services, express delivery services, advertising, computer services, construction, wholesale and retail distribution, franchising, and environmental services.

Taiwan agreed to join the list of 69 international signatories to the WTO Global Basic Telecommunications Agreement. However, Taiwan has now agreed that U.S. and other foreign companies can hold a controlling interest in Taiwan communications companies. In addition, Taiwan has agreed to reduce substantially interconnection fees levied on new U.S. telecommunications companies by about 40% within nine months. These charges, which were up to five times higher than those prevailing in other developed country markets, were limiting the ability of the U.S. companies to compete with the state-owned telecommunications company, Chung Hwa Telecom. Taiwan also agreed to reach competitive international rates for interconnection charges by the time it privatizes Chung Hwa in 2001.

Taiwan has joined with other WTO members to provide guarantees of substantially full market access and national treatment, in the full range of financial services. U.S. banks, securities companies, and insurance companies will have wide scope for their activities and their preferred form of establishment. The commitments also address regulatory issues -- such as eliminating advance approval requirements for new types of insurance policies -- that have been obstacles to U.S. commercial activities in Taiwan.

Agriculture:

Taiwan will immediately liberalize its previously closed markets for pork, poultry, and variety meats for U.S. products only. These markets have never been open for any trade. Taiwan has also committed to begin the process of opening its rice market and to open fully markets for pork, variety meats and poultry to all WTO members upon accession by phasing out its tariff rate quota system.

The Agreement provides for immediate access this year for 5000 tons of currently banned pork as well as 12,500 tons of U.S. variety meats. This special access, estimated to be worth \$40 million, will continue each year until Taiwan accedes to the WTO. Following accession, the agreement provides for long-term access for U.S. pork products at commercially reasonable tariff levels, which will fall to 15% after a transition period.

The Agreement covers special access for 10,000 tons of U.S. chicken products worth almost \$10 million prior to Taiwan's WTO accession. Following accession, Taiwan agreed to remove all quantitative limits on chicken imports.

Upon accession, U.S. rice products will have access to Taiwan's market for the first time. Imports of foreign rice will enjoy an 8% share of Taiwan's market by 2000, and the U. S. expects to obtain a significant share of these imports.

The Agreement also call for significant immediate tariff reductions on a broad range of U.S. agricultural products, including potato products, pears, grapes, grapefruit, sunflower oil, and soup.

Fact Sheet

U.S. - Taiwan Market Access Agreement

Industrial Products

Industrial Tariffs

Taiwan has committed to reduce its average tariff rates for industrial products from 6.5% to 4.9% by year 2002 and to 4.7% by year 2004. These reductions will result in savings to U.S. exporters of some \$250 million based on current export levels.

Taiwan will participate in all Uruguay Round (UR) zero-for-zero sectoral initiatives. These initiatives include chemical harmonization and the elimination of tariffs on medical equipment, furniture, toys, steel, paper, construction equipment, agriculture equipment, civil aircraft, and distilled spirits. Apart from a few categories where Taiwan will eliminate duties in 2004, Taiwan has offered to completely eliminate duties in these sectors by 2002. Taiwan is also participating in the zero-for-zero Information Technology Agreement, and is an active participant in ITA II.

Taiwan has agreed to actively support all of the APEC sectoral initiatives and, when an agreement is reached in APEC on the sectoral initiatives, Taiwan will include it in its WTO schedule. The immediate APEC initiatives include energy, equipment and services, environmental goods and services, forest products, toys, chemicals, medical equipment, fish and fish products, gems and jewelry, and telecommunications mutual recognition agreements.

Chemicals and Pharmaceuticals

Taiwan has agreed to fully participate in the Uruguay Round Chemical Harmonization Tariff Agreement by 2002 with limited exceptions to year 2004. This Agreement provides for very low tariffs -- 0% for raw materials and pharmaceuticals, 5.5% for intermediates, and 6.5% for manufactured chemicals -- for U.S. exports to Taiwan. In 1996, the United States exported \$2.4 billion of chemicals and pharmaceuticals to Taiwan. The market for chemicals in Taiwan in 1997 was \$47 billion.

Medical Equipment and Supplies

Taiwan agreed to completely eliminate tariffs for all medical equipment and supplies by year 2002 with some tariffs reaching 0% immediately upon accession. Taiwan is the fourth-largest medical equipment market in Asia and advanced medical devices are in great demand in Taiwan. Taiwan's medical device market size was about \$630 million in 1997, of which the U.S. held 37%. The United States exported an estimated \$150 million of medical equipment and supplies to Taiwan in 1997.

Wood

Taiwan has agreed completely to eliminate tariffs on all wood products except a few plywood items by year 2002. Taiwan's commitment is a very positive step in support of the APEC forest products sectoral liberalization. In 1996, the United States exported \$126 million worth of wood products to Taiwan.

Paper

Taiwan has agreed to completely eliminate import duties on paper and paperboard products by 2002, and will completely eliminate tariffs on several key paper products, such as newsprint, by 2000. Taiwan is currently the 5th largest paper and paperboard consuming market in Asia. Taiwan ranks as the 4th largest importer of paper and paperboard in Asia, which is the world's fastest growing paper market.

In 1997, U.S. exports of paper were valued at \$254 million, which was nearly 20% above the 1996 value and represented an all-time high for the United States. Taiwan is now the 9th largest export market for U.S. paper and paperboard producers.

In the Uruguay Round, the United States was joined by a number of countries in supporting the zero-for-zero tariff initiative for paper and paperboard products whereby tariffs will be eliminated by year 2004. With Taiwan's tariff removal, nearly 55% of U.S. exports of paper products will enjoy duty-free access abroad by 2004.

Furniture

Taiwan tariffs on certain furniture products will be reduced to zero immediately upon accession and tariffs on all other furniture items will be reduced to zero by January 1, 2002. Current tariffs on furniture range from 1.25% to 10% for products from the United States.

By the year 2003, U.S. manufacturers will enjoy zero tariffs in the EU and NAFTA countries, Norway, Switzerland, Hong Kong, Israel, as well as Taiwan, based on currently negotiated agreements. These countries accounted for 70% of U.S. exports of furniture in 1996.

Motor Vehicles

The tariff on motor vehicle imports will be reduced from 30% to 20% over a reasonable period.

In addition, Taiwan will replace its current system of three commodity tax levels based on engine displacement, with a two-level system. At 2000cc and below, the tax remains at 25%. Vehicles at 2001cc and above, however, will be taxed at 35% upon accession, and further lowered to 30% five years after accession. Currently, Taiwan taxes passenger cars at 2000cc and below at 25%, cars between 2001cc and 3600cc at 35%, and the 3600cc and above category at 60%.

A tariff-rate quota will be in place for ten years after accession. For countries enjoying access to the Taiwan market before 1997 -- of which the U.S. has the largest share -- the quota will be double the amount of their highest level of imports between 1990 and 1993. Tariffs on motor vehicles outside the quota will be phased down from 60% to 20% over the ten-year TRQ period, after which the TRQ will be entirely eliminated.

Upon accession, Taiwan will eliminate the trade distorting effects of its engine displacement tax which significantly disadvantages vehicles that U.S. companies produce and export.

The Taiwan market for motor vehicles is expected to be approximately 500,000 units in 1998. The U.S. quota allocation will be approximately 160,000 vehicles on accession, or potentially 32% of the market, and will grow by 20% in each of the following ten years.

The reduction in tariffs applied to imported motor vehicles, coupled with the reduction in the commodity tax, will significantly improve the competitiveness of U.S.-built motor vehicles in the Taiwan market.

Taiwan has also agreed to significantly liberalized sales and business conditions including revision of local content requirements, elimination of a local design credit, facilitation of used-car transactions, long-term vehicle leasing, and deregulation of auto insurance premiums.

Steel

Taiwan agreed to completely eliminate its tariffs on steel mill products and certain fabricated steel mill products by January 1, 2004. The current tariffs on certain key U.S. steel exports range up to 10%. Taiwan had already been an important market for U.S. steel mill products.

As part of the Uruguay Round, several WTO members agreed to eliminate their tariffs on steel and certain fabricated-steel products over a ten-year period. Those tariffs are being reduced in equal increments with zero tariffs by January 1, 2004. Many of the largest steel-producing countries are participating, including the United States, the European Union, Japan, Canada, and South Korea, as well as Norway, Switzerland, Hong Kong, and Singapore. With Taiwan's new commitment on steel, 87% of U.S. steel exports¹ will be eligible for duty-free treatment by 2004.

¹ Based on 1997 trade

Privatization of Taiwan's Monopoly Board

Taiwan is now in the process of privatizing its state monopoly which controls sales of alcohol and tobacco products. Taiwan has agreed that the changes resulting from this privatization will eliminate discriminatory treatment of foreign beer, wine, distilled spirits, and tobacco.

In addition, Taiwan has agreed to completely eliminate tariffs on both brown and white spirits (e.g., bourbon, whiskey, gin, and vodka) by 2000. Tariffs on beer will be completely eliminated by 2005. Tariffs on wine will go down to 10% by 2002. Taiwan's spirits sector, previously controlled by a Taiwan monopoly, will be substantially opened to foreign investment and distribution.

Civil Aircraft

Taiwan will join the WTO Agreement on Trade in Civil Aircraft under which it will eliminate of tariffs on civil aircraft and parts, whether for use by manufacturers or for maintenance or repair. This commitment will also bind Taiwan to allow its airlines to select suppliers of aircraft on the basis of commercial and technological factors. In 1997, U.S. exports of civil aircraft to Taiwan reached \$2.2 million.

Dolls, Toys, and Games

Taiwan tariffs on certain toys will be reduced to zero immediately upon accession; tariffs on all other dolls, toys, and games will be reduced to zero by January 1, 2002. Current tariffs on dolls, toys, and games range from 5% to 10% for products from the United States.

By the year 2003, U.S. manufacturers will enjoy zero tariffs in the EU and NAFTA countries, Norway, Switzerland, Hong Kong, Israel, as well as Taiwan, based on currently negotiated agreements. These countries accounted for 68% of U.S. exports of dolls, toys, and games in 1996.

Government Procurement

Taiwan has agreed to participate in the WTO Agreement on Government Procurement, a plurilateral agreement that imposes international transparency norms on government bidding processes. Taiwan's commitment covers about \$15.4 billion in infrastructure projects, one of the world's largest markets for government procurement contracts. Among key areas of U.S. interest are telecommunications equipment, power plant engineering design services, integrated engineering services for power transmission and distribution turnkey projects, transport projects, and especially rail.

Taiwan will establish a new mechanism, under the Public Construction Commission (PCC), for mediation and binding arbitration applicable to contracts issued by Taiwan agencies. Such

procedures will provide for simple, standard terms and conditions which set out clear, time-limited steps to commence dispute settlement proceedings.

The PCC will also insure the transparency, uniformity, and integrity of Taiwan's procurement procedures by providing clear guidance to procuring entities.

Taiwan's participation in the WTO's Agreement on Government Procurement and the expanded role of the Public Construction Commission (PCC) will ensure that domestic and foreign companies can compete on equal footing for projects in Taiwan.

Services

Taiwan has agreed that on accession it will open completely a number of service sectors including professional services (architects, accountants, engineers, lawyers), audiovisual services, express delivery services, advertising, computer services, construction, wholesale and retail distribution, franchising, and environmental services.

Financial Services

In the area of financial services -- banking, insurance, and securities -- guarantee substantially full market access and national treatment for U.S. companies. With these commitments, U.S. banks, insurance companies, and mutual funds will have greater freedom of access to consumers in Taiwan, and greater freedom of choice in conducting their commercial operations.

Telecommunications

Interconnection Fees. The fees Taiwan's state-owned telecommunications company, Chung Hwa, charges cellular phone companies are among the highest in the world. Taiwan has agreed to move rapidly toward competitive international rates for interconnection charges by the time Chung Hwa is privatized in 2001. It will start by lowering these rates significantly by October 1, 1998 (from about 6 U.S. cents/minute to 3.5 U.S. cents/minute). By 2001, its rates will be no higher than rates charged in major developed countries (currently less than 2 US cents/minute).

Ownership. Taiwan has agreed for the first time that U.S. and other foreign companies can hold a controlling interest (60%) in Taiwan telecom companies.

Taiwan's telecommunications services and equipment industries have \$8.2 billion in revenues. The U.S. exported \$222 million of telecommunications equipment to Taiwan in

1996. The market for services and equipment in Taiwan is expected to grow at double-digit rates.

Illustrative of the benefits market opening in the services sector are:

U.S. movie makers will no longer be subject to tight restrictions on the number of theaters that can show U.S. films and will no longer be subject to lengthy censorship delays.

U.S. banks will now be able to provide new services to Taiwan depositors.

U.S. express delivery companies will be able to handle all ground services for most deliveries.

U.S. insurance companies will have more leeway to write policies, extend new coverage, and establish operations.

U.S. retailers will have virtually free access to sell goods in Taiwan's market.

U.S. companies operating in Taiwan will be free to bring in personnel they need to run their business.

Agriculture Issues

Beef and Beef Variety Meats

Taiwan will provide immediate market opening of 5,000 tons for U.S. beef variety meats annually at current tariff rates, with the unused amounts in any year to be carried over to the next year.

In addition, Taiwan has agreed to completely open its market to imports of beef variety meats upon accession at a tariff rate of 25%. Taiwan also has agreed to reduce the specific tariff for beef from current rates to the equivalent of 14 US cents/pound (NT\$ 10/kilogram) by 2005. Current rates are NT\$ 22.1/kilogram for Special Quality Beef and NT\$ 30.00/kilogram for all other beef. USDA "Prime" and "Choice" grade are equivalent to Special Quality Beef (SQB).

Immediate market access will provide market opportunities for US beef producers worth \$8.3 million. As Taiwan is currently the seventh largest foreign market for US beef exports, lower tariffs should make US beef even more price competitive in this market.

Pork

Taiwan will lift its remaining bans on selected pork cuts and variety meats immediately. Taiwan has agreed to an immediate market opening of 5,000 tons of these currently-banned pork cuts and 7,500 tons for pork variety meats for the United States.

Taiwan has agreed to fully open the market for these pork products and will establish a tariff rate quota system that will gradually increase access until the market is completely open by 2005.

Upon accession, Taiwan will fully open access to many banned pork cuts and establish a tariff rate quota for the remaining restricted pork cuts, bellies, and spare ribs and for pork variety meats. The quota for pork bellies will be 6,610 tons, at 15% tariff, increasing to 15,400 tons at 12.5% tariff in 2004, before the market is completely opened on January 1, 2005. The quota for pork variety meats will be 10,000 tons at 25% tariff, increasing to 27,500 tons at 15% tariff in 2004.

Taiwan's market opening for pork products provides immediate market opportunities for U.S. farmers of almost \$18 million. In the first year after accession, Taiwan's pork import opportunities will increase by an additional \$22.5 million.

Poultry

Taiwan has agreed to an immediate market opening of 10,000 tons for U.S. chicken meat at a tariff rate of 25%.

Upon accession, Taiwan will establish a tariff rate quota for chicken meat of 19,163 tons, growing to 45,990 tons by 2004 before the market is completely opened on January 1, 2005. The in-quota tariff rate for chicken meat will be 25% upon accession, falling to 20% by 2004.

The immediate market opening will provide sales opportunities for U.S. farmers of almost \$10 million annually. Trade in the first year of the TRQ will reach \$18 million, increasing to about \$43 million in 2004.

Rice

Taiwan will lift its ban on imports on rice upon accession, and establish an import quota proportionally equal to access in the current year of the Japan schedule. This quota will double to 144,720 metric tons in the year 2000.

A portion of this quota will be allocated for private sector trade in rice, increasing from 21% to 35% in 2000. The rest of the rice quota will be imported by central authorities with conditions that will facilitate its release for table use in Taiwan. The import mechanism has been formulated to facilitate market-oriented pricing of imported rice. In addition to the market access agreement, Taiwan has agreed to reduce its internal support measures by 20% of the average of the 1990-92 base period by the year 2000. Furthermore, Taiwan has agreed to change its practices that have forced surplus rice onto the international market.

This agreement provides US farmers with a new market opportunity worth almost \$60 million in the first year of implementation. Private traders will have direct access to an increasingly large share of the quota (through a license allocation system), which will allow US exporters to establish long-standing relationships to promote the sale of US labeled rice in Taiwan.

-30-

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Taiwan will participate in all Uruguay Round (UR) zero-for-zero sectoral initiatives. These initiatives include chemical harmonization and the elimination of tariffs on medical equipment, furniture, toys, steel, paper, construction equipment, agriculture equipment, civil aircraft, and distilled spirits. Apart from a few categories where Taiwan will eliminate duties in 2004, Taiwan has offered to completely eliminate duties in these sectors by 2002. Taiwan is also participating in the zero-for-zero Information Technology Agreement, and is an active participant in ITA II.

Taiwan has agreed to actively support all of the APEC sectoral initiatives and, when an agreement is reached in APEC on the sectoral initiatives, Taiwan will include it in its WTO schedule. The immediate APEC initiatives include energy, equipment and services, environmental goods and services, forest products, toys, chemicals, medical equipment, fish and fish products, gems and jewelry, and telecommunications mutual recognition agreements.

Chemicals and Pharmaceuticals

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Medical Equipment and Supplies

Taiwan agreed to completely eliminate tariffs for all medical equipment and supplies by year 2002 with some tariffs reaching 0% immediately upon accession. Taiwan is the fourth-largest medical equipment market in Asia and advanced medical devices are in great demand in Taiwan. Taiwan's

medical device market size was about \$630 million in 1997, of which the U.S. held 37%. The United States exported an estimated \$150 million of medical equipment and supplies to Taiwan in 1997.

Wood

Taiwan has agreed completely to eliminate tariffs on all wood products except a few plywood items by year 2002. Taiwan's commitment is a very positive step in support of the APEC forest products sectoral liberalization. In 1996, the United States exported \$126 million worth of wood products to Taiwan.

Paper

Taiwan has agreed to completely eliminate import duties on paper and paperboard products by 2002, and will completely eliminate tariffs on several key paper products, such as newsprint, by 2000. Taiwan is currently the 5th largest paper and paperboard consuming market in Asia. Taiwan ranks as the 4th largest importer of paper and paperboard in Asia, which is the world's fastest growing paper market.

In 1997, U.S. exports of paper were valued at \$254 million, which was nearly 20% above the 1996 value and represented an all-time high for the United States. Taiwan is now the 9th largest export market for U.S. paper and paperboard producers.

In the Uruguay Round, the United States was joined by a number of countries in supporting the zero-for-zero tariff initiative for paper and paperboard products whereby tariffs will be eliminated by year 2004. With Taiwan's tariff removal, nearly 55% of U.S. exports of paper products will enjoy duty-free access abroad by 2004.

Furniture

Taiwan tariffs on certain furniture products will be reduced to zero immediately upon accession and tariffs on all other furniture items will be reduced to zero by January 1, 2002. Current tariffs on furniture range from 1.25% to 10% for products from the United States.

By the year 2003, U.S. manufacturers will enjoy zero tariffs in the EU and NAFTA countries, Norway, Switzerland, Hong Kong, Israel, as well as Taiwan, based on currently negotiated agreements. These countries accounted for 70% of U.S. exports of furniture in 1996.

Motor Vehicles

The tariff on motor vehicle imports will be reduced from 30% to 20% over a reasonable period.

In addition, Taiwan will replace its current system of three commodity tax levels based on engine displacement, with a two-level system. At 2000cc and below, the tax remains at 25%. Vehicles at 2001cc and above, however, will be taxed at 35% upon accession, and further lowered to 30% five years after accession. Currently, Taiwan taxes passenger cars at 2000cc and below at 25%, cars between 2001cc and 3600cc at 35%, and the 3600cc and above category at 60%.

A tariff-rate quota will be in place for ten years after accession. For countries enjoying access to the Taiwan market before 1997 -- of which the U.S. has the largest share -- the quota will be double the amount of their highest level of imports between 1990 and 1993. Tariffs on motor vehicles outside the quota will be phased down from 60% to 20% over the ten-year TRQ period, after which the TRQ will be entirely eliminated.

Upon accession, Taiwan will eliminate the trade distorting effects of its engine displacement tax which significantly disadvantages vehicles that U.S. companies produce and export.

The Taiwan market for motor vehicles is expected to be approximately 500,000 units in 1998. The U.S. quota allocation will be approximately 160,000 vehicles on accession, or potentially 32% of the market, and will grow by 20% in each of the following ten years.

The reduction in tariffs applied to imported motor vehicles, coupled with the reduction in the commodity tax, will significantly improve the competitiveness of U.S.-built motor vehicles in the Taiwan market.

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Steel

Taiwan agreed to completely eliminate its tariffs on steel mill products and certain fabricated steel mill products by January 1, 2004. The current tariffs on certain key U.S. steel exports range up to 10%. Taiwan had already been an important market for U.S. steel mill products.

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In addition, Taiwan has agreed to completely eliminate tariffs on both brown and white spirits (e.g., bourbon, whiskey, gin, and vodka) by 2000. Tariffs on beer will be completely eliminated by 2005. Tariffs on wine will go down to 10% by 2002. Taiwan's spirits sector, previously controlled by a Taiwan monopoly, will be substantially opened to foreign investment and distribution.

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Ownership. Taiwan has agreed for the first time that U.S. and other foreign companies can hold a controlling interest (60%) in Taiwan telecom companies.

Taiwan's telecommunications services and equipment industries have \$8.2 billion in revenues. The U.S. exported \$222 million of telecommunications equipment to Taiwan in

1996. The market for services and equipment in Taiwan is expected to grow at double-digit rates.

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Agriculture Issues

Beef and Beef Variety Meats

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Immediate market access will provide market opportunities for US beef producers worth \$8.3 million. As Taiwan is currently the seventh largest foreign market for US beef exports, lower tariffs should make US beef even more price competitive in this market.

Pork

Taiwan will lift its remaining bans on selected pork cuts and variety meats immediately. Taiwan has agreed to an immediate market opening of 5,000 tons of these currently-banned pork cuts and 7,500 tons for pork variety meats for the United States.

Taiwan has agreed to fully open the market for these pork products and will establish a tariff rate quota system that will gradually increase access until the market is completely open by 2005.

Upon accession, Taiwan will fully open access to many banned pork cuts and establish a tariff rate quota for the remaining restricted pork cuts, bellies, and spare ribs and for pork variety meats. The quota for pork bellies will be 6,610 tons, at 15% tariff, increasing to 15,400 tons at 12.5% tariff in 2004, before the market is completely opened on January 1, 2005. The quota for pork variety meats will be 10,000 tons at 25% tariff, increasing to 27,500 tons at 15% tariff in 2004.

Taiwan's market opening for pork products provides immediate market opportunities for U.S. farmers of almost \$18 million. In the first year after accession, Taiwan's pork import opportunities will increase by an additional \$22.5 million.

Poultry

Taiwan has agreed to an immediate market opening of 10,000 tons for U.S. chicken meat at a tariff rate of 40%.

Upon accession, Taiwan will establish a tariff rate quota for chicken meat of 19,163 tons, growing to 45,990 tons by 2004 before the market is completely opened on January 1, 2005. The in-quota tariff rate for chicken meat will be 25% upon accession, falling to 20% by 2004.

The immediate market opening will provide sales opportunities for U.S. farmers of almost \$10 million annually. Trade in the first year of the TRQ will reach \$18 million, increasing to about \$43 million in 2004.

Rice

Taiwan will lift its ban on imports on rice upon accession, and establish an import quota proportionally equal to access in the current year of the Japan schedule. This quota will double to 144,720 metric tons in the year 2000.

A portion of this quota will be allocated for private sector trade in rice, increasing from 21% to 35% in 2000. The rest of the rice quota will be imported by central authorities with conditions that will facilitate its release for table use in Taiwan. The import mechanism has been formulated to facilitate market-oriented pricing of imported rice. In addition to the market access agreement, Taiwan has agreed to reduce its internal support measures by 20% of the average of the 1990-92 base period by the year 2000. Furthermore, Taiwan has agreed to change its practices that have forced surplus rice onto the international market.

This agreement provides US farmers with a new market opportunity worth almost \$60 million in the first year of implementation. Private traders will have direct access to an increasingly large share of the quota (through a license allocation system), which will allow US exporters to establish long-standing relationships to promote the sale of US labeled rice in Taiwan.

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